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## List of High-Yield Questions for Level II

We have identified the most important practice problems from the curriculum that you must do. Ideally you should do all practice problems, but if you are time constrained you should at least do the questions on this list. As part of your final revision review these questions again to reinforce key concepts.

Note: In the table below PP refers to the Practice Problem which you will find at the end of each reading in the curriculum. In some cases curriculum examples are referred to and in some cases the IFT Q-bank is referred to.

[For more information visit www.ift.world](http://www.ift.world)

### Topic Quantative Methods

IFT strongly recommends that you do all the practice problems in the curriculum, but if you are severely time constrained do at least the following.

Reading	Question #	Concept Tested
Fintech	PP1	Fintech
	PP2	Big data
	PP3	Machine learning
	PP4	Text analytics
	PP5	Robo- advisory services
	PP6	Risk analysis
	PP7	Algorithmic trading
	PP8	DLT
	PP9	DLT
Correlation and Regression	<b>PP5 - PP10</b>	
	PP5	Coefficient of determination = R-squared
	PP6	Effect of deleting observations on R-Squared and SEE
	PP7	Correlation coefficient = Multiple R
	PP8	F - Stat formula
	PP9	Predicting independent variable using regression equation
	PP10	Interpreting p-values
	<b>PP11 - PP16</b>	
	PP11	Testing the significance of the correlation coefficient
	PP12	Time series vs cross sectional data
	PP13	Predicting independent variable using regression equation
	PP14	Interpreting R-squared
	PP15	Interpreting SEE
	PP16	Interpreting t-stats
	<b>PP17 - PP26</b>	
	PP17	Scatter plots
	PP18	Calculating sample covariance
	PP19	Calculating sample correlation
PP20	Interpreting regression results	
PP21	Dependent vs independent variable	
PP22	Degrees of freedom	
PP23	Calculating confidence intervals	
PP24	Interpreting t-stats	
PP25	Predicting independent variable using regression equation	
PP26	Calculating F-stat	
	<b>PP17 - PP22</b>	
	PP17	Predicting independent variable using regression equation
	PP18	Confidence interval for the regression coefficient
	PP19	Testing the significance of the correlation coefficient
	PP20	Interpreting multiple R-squared
	PP21	Problems in regression analysis - Heteroskedasticity
	PP22	Model misspecification issues - omitted variable
	<b>PP29 - PP36</b>	
	PP29	Calculating F-statistic
	PP30	Qualitative independent variables - interpreting coefficients
PP31	Problems in regression analysis - multicollinearity	
PP32	Qualitative independent variables - setting up the model	

Multiple Regression and Machine Learning	PP33 PP34 PP35 PP36	Problems in regression analysis - Heteroskedasticity Effects of positive serial correlation Durbin–Watson statistic Qualitative dependent variables - when to use probit and logit models
	<b>PP37 - PP45</b> PP37 PP38 PP39 PP40 PP41 PP42 PP43 PP44 PP45	Testing the significance of the correlation coefficient Interpreting p-values Interpreting p-values Predicting independent variable using regression equation R-squared and adjusted R-squared Interpreting F-stat Interpreting F-stat Assumptions of multiple regression Adjusted R-squared
	<b>Example 17</b> 1 2 3 4 5 6	Major types of machine learning Classification problem vs regression problem Penalized regression CART Neural networks Clustering Dimension reduction
Time-Series Analysis	<b>PP20 - PP26</b> PP20 PP21 PP22 PP23 PP24 PP25 PP26	Forecasting using a linear trend model Forecasting using a log linear trend model Interpreting the Durbin–Watson statistic Covariance stationary time series Forecasting using the chain rule Interpreting autocorrelations in an AR model Mean-reverting level
	<b>PP27 - PP35</b> PP27 PP28 PP29 PP30 PP31 PP32 PP33 PP34 PP35	Properties of random walk & covariance stationary time series Covariance stationary time series Unit root Dickey–Fuller test Interpreting autocorrelations in an AR model Forecasting using a first differenced model ARCH Working with two time series Selecting an appropriate time series model
Simulations	<b>Online assessment - Jason Yang Case Scenario</b> Q1 Q2 Q3 Q4 Q5 Q6	To compare scenario analysis with simulations To define prob distribution for the variables How to treat correlation across variables? To define the probability distribution for the simulation variables To explain the results of a simulation What are the issues in simulation?



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**Topic Economics**

IFT strongly recommends that you do all the practice problems in the curriculum, but if you are severely time constrained do at least the following.

Reading	Question #	Concept Tested
Currency Exchange Rates: Determination and Forecasting	<b>PP6 - PP12</b> PP6 PP7 PP8 PP9 PP10 PP11 PP12	Uncovered interest rate parity Flow supply/demand channel Portfolio balance approach Mundell-Fleming model Portfolio- balance approach Capital control and central bank intervention Warning signs of a currency crisis
	<b>PP13 - PP20</b> PP13 PP14 PP15 PP16 PP17 PP18 PP19 PP20	Bid-offer spread Factors affecting bid-offer spread Triangular arbitrage profit Forward contract - mark to market Covered interest rate parity interpretation Calculating forward points using covered interest rate parity International parity conditions International parity conditions
Economic Growth and the Investment Decision	<b>PP7 - PP15</b> PP7 PP8 PP9 PP10 PP11 PP12 PP13 PP14 PP15	Factors favoring and limiting economic growth Capital deepening investment and technological progress Sustainable growth rate of the economy Potential GDP Capital deepening investment and technological progress Demographic factors Natural resources Demographics, immigration, and labor force participation Convergence hypotheses
Economics of Regulation	<b>PP7 - PP13</b> PP7 PP8 PP9 PP10 PP11 PP12 PP13	Classification of regulators SRO 'Unintended' implementation cost Regulatory tools Regulatory competition Regulation of commerce Regulatory tools



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**Topic Alternative Investments**

IFT strongly recommends that you do all the practice problems in the curriculum, but if you are severely time constrained do at least the following.

Reading	Question #	Concept Tested
Private Real Estate Investments	<b>PP1 - PP12</b>	
	PP1	Interpreting NOI
	PP2	Real estate valuation - misc items
	PP3	Calculating growth rate
	PP4	Discounted cash flow method
	PP5	Direct capitalization method
	PP6	Sales comparison approach
	PP7	Due diligence
	PP8	All cash purchase v/s used of debt
	PP9	Calculating maximum loan amount
	PP10	Benefits of private equity real estate investments
	PP11	Sources of risk for real estate investments
	PP12	Real estate investment: Basic forms
Publicly Traded Real Estate Securities	<b>PP1 - PP6</b>	
	PP1	REITs v/s REOCs
	PP2	Net asset value approach
	PP3	Relative valuation using property subsector average P/FFO multiple
	PP4	Discounted cash flow valuation using a two- step dividend model
	PP5	Relative valuation using property subsector average P/AFFO multiple
	PP6	Principal risk factors for REITs
	<b>PP7 - PP12</b>	
	PP7	Investment characteristics of REITs
	PP8	Disadvantages of REITs
	PP9	Economic value determinants for different types of REITs
	PP10	Adjusted funds from operations (AFFO)
PP11	Relative value approach - P/FFO multiple	
PP12	Discounted cash flow approach - 2 step model	
Private Equity Valuation	<b>PP7 - PP12</b>	
	PP7	Valuation characteristics of buyout vs. venture capital investments
	PP8	Alignment of interests
	PP9	Evaluating fund performance
	PP10	Evaluating fund performance
	PP11	Exit routes
	PP12	Valuation issues in buyout and venture capital transactions
	<b>PP13 - PP18</b>	
	PP13	Valuation characteristics of buyout vs. venture capital investments
	PP14	Value creation in buyout firms
PP15	Distribution waterfall	
PP16	Calculating total value to paid- in capital (TVPI)	
PP17	Calculating carried interest	
PP18	Evaluating fund performance	
Commodity and Commodity Derivatives: An Introduction	<b>PP1 - PP8</b>	
	PP1	Commodity futures market participants
	PP2	Characteristics of commodity sectors
	PP3	Valuation of commodities
	PP4	Backwardation
	PP5	Theories explaining futures returns
	PP6	Roll returns
	PP7	Calculating total return
PP8	Total return swap	